

American Electric Power Postemployment Benefit Plans

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Purposes of valuation

American Electric Power (AEP) retained Willis Towers Watson US LLC (Willis Towers Watson) to perform an actuarial valuation of some of its postemployment benefit programs, including Long-Term Disability (income replacement), life insurance and health benefit continuation plans for employees receiving Long-Term Disability (LTD) benefits and health benefit continuation plans for COBRA beneficiaries (the Plan)

As requested by AEP, this report provides information for year-end financial reporting purposes required by FASB Accounting Standards Codification Topic 712 (ASC 712-10) for your fiscal year ending December 31, 2019. It also supplies the calculation of the Qualified Asset Account Limit under IRS Code Section 419A and compares it to the market value of plan assets as of December 31, 2019

The exhibits present year-end financial reporting information in accordance with ASC 712-10 including net balance sheet position of the Plan, current year expected cash flow, plan asset information, participant information, the plan provisions on which the valuation is based, and the actuarial assumptions and methods used in the calculations

Limitations

This valuation has been conducted for the purposes described above and may not be suitable for any other purpose. In particular, please note the following

1. There may be certain events that have occurred since the valuation date that are not reflected in the current valuation.
2. This report does not provide information for plan reporting under ASC 965.
3. This report does not determine obligations on a plan termination basis, for which a separate extensive analysis would be required. No funded status measure included in this report is intended to assess, and none may be appropriate for assessing, the sufficiency of plan assets to cover the estimated cost of settling benefit obligations, as all such measures differ in some way from plan termination obligations.
4. The comparisons of accounting obligations to assets presented in this report cannot be relied upon to determine the need for nor the amount of required future plan contributions. Nevertheless, such comparisons may be useful to assess the need for future contributions because they reflect current interest rates at the measurement date in determining benefit obligations. However, asset gains and losses, demographic experience different from assumed, changes in interest rates, future benefit accruals, if any, and other factors will all affect the need for and amount of future contributions. In addition, if a plan is not required by law to be funded, benefit payments may also be paid directly by the plan sponsor as they come due.

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Section 1 : Summary of key results

Benefit obligations & assets

All monetary amounts shown in U.S. Dollars

Measurement Date		December 31, 2019	December 31, 2018
Plan Assets	Fair value of assets (FVA)	3,113,999	2,101,570
Benefit Obligations	Postemployment benefit obligation	(72,797,959)	(70,919,791)
Funded Position	FVA minus obligation	(69,683,960)	(68,818,221)
Funded Ratios	FVA to obligation	4.3%	3.0%
Assumptions	Discount rate	1.85%	2.65%
	Current health care cost trend rate	6.00%	6.25%
	Ultimate health care cost trend rate	4.50%	5.00%
	Years to ultimate trend rate	6	5
Participant Data	Census date	12/31/2019	12/31/2018

Comments on results

The funded position decreased from \$(68,818,221) to \$(69,683,960), which was less than the expected \$3 million decrease. Significant reasons for the changes in the unfunded benefit obligation since the prior year include the following:

- Demographic gains for LTD claimants, due to more claim terminations and fewer new disabilities than expected, decreased the benefit obligations
- Per capita claims costs increased by less than was expected, which decreased the benefit obligations
- The assumed ultimate trend rate was lowered from 5.0% to 4.5%, which decreased the benefit obligations
- The discount rate, based on U.S. Treasury constant maturity yields, decreased from 2.65% to 1.85%, resulting in an increase to benefit obligations.
- Increased funding of the LTD VEBA resulted in an additional \$1 million of plan assets at year-end 2019

Basis for valuation

Appendix A summarizes the assumptions and methods used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plans being valued. Unless otherwise described below under Subsequent events, assumptions were selected based on information known as of the measurement date

Changes in assumptions

- Plan cost rates, employee contribution rates, and COBRA rates for 2020 have been used as a basis for this valuation
- The discount rate has been updated to reflect Treasury Constant Maturities of as December 31, 2019, which decreased the rate from 2.65% as of December 31, 2018, to 1.85% as of December 31, 2019
- The base healthy mortality rates have been updated from RP-2014, factored to 2006, to Pri-2012 and the mortality improvement scale has been updated from a modified version of MP-2018 adjusted to reflect 75% of the long-term improvement rates to a modified version of MP-2019 adjusted to reflect 75% of the long-term improvement rates
- Ultimate health care trend was lowered to 4.50%

Changes in methods or estimation techniques

None

Changes in benefits valued

None.

Subsequent events

None.

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices

Reliances

In preparing the results presented in this report, we have relied upon information provided to us regarding plan provisions, participants, claims data, monthly contribution rates and plan assets (if any) provided by AEP and other persons or organizations designated by AEP. We have relied on all the data and information provided as complete and accurate. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

We have relied on all the information provided as complete and accurate. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by AEP, may produce materially different results that could require that a revised report be issued.

Measurement of benefit obligations, plan assets and balance sheet adjustments

Census date/measurement date

The measurement date is December 31, 2019. The benefit obligations were measured as of AEP's December 31, 2019, fiscal year end and are based on participant data as of the census date, which is summarized in Section 3.

Plan assets and balance sheet adjustments

Information about the fair value of plan assets was furnished to us by AEP. Willis Towers Watson used information supplied by AEP regarding postemployment benefit asset and postemployment benefit liability as of December 31, 2019. These data were reviewed for reasonableness and consistency, but no audit was performed.

Assumptions and methods under U.S. GAAP

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the postemployment benefit liability have been selected by AEP. Willis Towers Watson has concurred with these assumptions and methods. U.S. GAAP requires that each significant assumption "individually represent the best estimate of a particular future event."

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by Willis Towers Watson, we consider to be reasonable. Other actuarial assumptions could also be considered to be reasonable. Thus, reasonable results differing from those presented in this report could have been developed by selecting different reasonable assumptions.

A summary of the assumptions and methods used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the December 31, 2019 measurement date will change the results shown in this report.

Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with certainty. The effects of certain plan provisions may be approximated or determined to be insignificant and therefore not valued. Assumptions may have been made, in consultation with AEP, about participant data or other factors. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities are treated appropriately and are not excluded or included inappropriately. Any rounding (or lack thereof) used for displaying numbers in this report is not intended to imply a degree of precision, by their nature, actuarial calculations are not precise.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements, and changes in plan provisions or applicable law. It is beyond the scope of this valuation to analyze the potential range of future postretirement welfare contributions, but we can do so upon request. Postemployment group benefits models necessarily rely on the use of approximations and estimates and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements.

Limitations on use

This report is provided subject to the terms set out herein and in our master consulting services agreement dated July 29, 2004, and any accompanying or referenced terms and conditions.

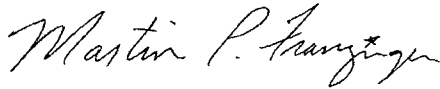
The information contained in this report was prepared for the internal use of AEP and its auditors in connection with our actuarial valuation of the postemployment benefit plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. AEP may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require AEP to provide them this report, in which case AEP will use best efforts to notify Willis Towers Watson in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Willis Towers Watson's prior written consent. Willis Towers Watson accepts no responsibility for any consequences arising from any other party relying on this report or any advice relating to its contents.

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Professional qualifications

The undersigned consulting actuaries are members of the Society of Actuaries and meets their "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to postemployment benefit plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Willis Towers Watson US LLC.



Martin P. Franzinger, ASA, MAAA
Pricing Specialist and Valuation Actuary



John Igrec, FSA, MAAA
Valuation Actuary

Willis Towers Watson US LLC

April 2020

http://natct.internal.towerswatson.com/clients/604598/HBFARM2020/Financials1/LTD_Val_Report_2020.docx

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Section 2: Postemployment benefits obligation

This report summarizes the financial results for AEP's postemployment benefit plan, including the effect of the Medicare Part D subsidy, based upon an actuarial valuation of the income replacement, life insurance and health care continuation benefits during long-term disability and COBRA as of December 31, 2019. The accounting for the benefits not attributable to employee service, income, life insurance and contributory health care continuation is subject to ASC 450-20 for benefits that do not accumulate

Benefits That Do Not Vest or Accumulate (ASC 450-20)	December 31, 2019	December 31, 2018
Benefit Obligation and Funded Status		
Health care and life insurance continuation benefits during LTD		
■ Medical benefits	\$ 31,459,989	\$ 30,265,817
■ Basic life insurance	7,682,686	7,250,953
■ Supplemental life insurance	7,711,375	7,513,462
■ Dental benefits	<u>531,337</u>	<u>561,919</u>
Total benefit obligation	\$ 47,385,387	\$ 45,592,151
Plan assets	<u>0</u>	<u>0</u>
Unfunded liability	\$ 47,385,387	\$ 45,592,151
Income replacement (LTD) plan		
Benefit obligation	\$ 25,124,769	\$ 25,222,525
Plan assets	<u>(3,113,999)</u>	<u>(2,101,570)</u>
Unfunded liability	\$ 22,010,770	\$ 23,120,955
COBRA		
Benefit obligation	\$ 287,803	\$ 105,115
Plan assets	<u>0</u>	<u>0</u>
Unfunded liability	\$ 287,803	\$ 105,115
Total		
Benefit obligation	\$ 72,797,959	\$ 70,919,791
Plan assets	<u>(3,113,999)</u>	<u>(2,101,570)</u>
Unfunded liability	\$ 69,683,960	\$ 68,818,221

Change in unfunded liabilities from prior year

In total, our calculations of FASB ASC 712 unfunded liability as of December 31, 2019, for the postemployment benefits that Willis Towers Watson values is \$66.6 million which was a decrease of \$0.9 million from the total unfunded liability as of December 31, 2018.

Summary of Unfunded Liability Increase/(Decrease)

Non-UMWA

■ Health Care and Life Insurance Continuation for LTD Claimants	\$ 1.8 million
■ LTD Income Replacement	(1.1) million
■ COBRA	0.2 million
Total	\$ 0.9 million

The discount rate has decreased from 2.65% to 1.85% and is determined based on a duration matching approach using a risk-free bond universe with the plan's expected cash flows. The duration of AEP's postemployment benefit plan, excluding COBRA and severance benefits, is 3.32 years as of December 31, 2019. The changes in liabilities are analyzed below for each benefit.

Health Care and Life Insurance Continuation for LTD Claimants

During 2019, the liability estimate for these benefits decreased from \$45.6 million to \$47.4 million. This \$1.8 million increase results from the following factors:

	Medical	Life Insurance	Dental	Total
December 31, 2018, Liability	\$30,265,817	\$14,764,415	\$561,919	\$45,592,151
Increase/(Decrease) due to				
Normal operation of the plan	1,197,732	215,227	(4,832)	1,408,127
Claims experience	(1,718,824)	0	(31,763)	(1,750,587)
Demographic experience	1,065,683	28,480	(11,402)	1,082,761
Trend assumption change	(99,980)	0	0	(99,980)
Other assumption changes	749,561	385,939	17,415	1,152,915
December 31, 2019, Liability	\$31,459,989	\$15,394,061	\$531,337	\$47,385,387

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LTD Income Replacement

During 2019, the liability estimate (under ASC 712) decreased from \$25.2 million to \$25.1 million. This \$0.1 million decrease results from the following factors:

December 31, 2018, Liability	\$25,222,525
Increase/(Decrease) due to	
Normal operation of the plan	1,853,034
Demographic experience	(2,651,963)
Economic assumption changes	<u>701,173</u>
December 31, 2019, Liability	\$25,124,769

In addition to the \$0.1 million liability decrease, there was a \$1.0 million increase in plan assets, leading to a \$1.1 million decrease in the LTD plan's unfunded liability under ASC 712.

There is also a significant unfunded liability of \$26.1 million as of December 31, 2019, measured under Internal Revenue Code Section 419A. Therefore, all contributions AEP made to the LTD VEBA in 2019 are tax deductible in 2019 and none of the trust's 2019 investment income needs to be reported as Unrelated Business Taxable Income (UBTI). The components of this calculation are:

Funded Status of LTD VEBA as of December 31, 2019

	AEP East Disabled Before 1996	Post-3/31/1998 East and Post-12/31/2000 West Disabilities			Total
		Approved	IBNA ¹	Subtotal	
(1) Plan Assets					3,113,999
(2) Plan Liabilities					
(a) Claims Cost Liability	45,000	25,125,000	3,817,000	28,942,000	28,987,000
(b) DEFRA Limitations ²	0	0	<u>2,936,000</u>	<u>2,936,000</u>	<u>2,936,000</u>
(c) DEFRA-Limited Claims (a) - (b)	45,000	25,125,000	881,000	26,006,000	26,051,000
(d) Administrative Costs					<u>3,194,000</u>
(e) QAAL--Total Plan Liability (c) + (d)					29,245,000
(3) Surplus/(Unfunded Liability)					
(a) Based on Unlimited Liability (1) - (2a) - (2d)					(29,067,001)
(b) Based on QAAL (1) - (2e)					(26,131,001)
(4) Number of Approved Claimants	2	330		330	332

¹ Incurred but not approved

² Exclusion of liability for projected benefit payments to claimants who have not been disabled for at least 5 months.

COBRA and Severance

The liabilities as of December 31, 2019, associated with COBRA continuation coverage for medical and dental benefits have been included for all AEP companies. Liabilities were calculated for participants and assigned to the AEP company for which they last worked.

The liabilities were determined assuming that COBRA beneficiaries would incur claims costs equal to 154% of the per capita claims costs for active employees. No termination rates or increased claims cost morbidity was assumed for former employees receiving severance benefits because their monthly contributions to continue AEP's coverage was equal to the contributions charged to active participants.

This liability increased by \$0.2 million during 2019, primarily due to an increase in COBRA enrolment.

Highlights

Actuarial and economic assumptions

The discount rates for determining the obligations reflect the time value of money as of the measurement date. This rate for ASC 450-20 obligations is based on matching Treasury constant maturities to the plan's expected cash flows. Rounding is done to the nearest 0.05% for financial reporting purposes and to the nearest 0.10% to calculate funding limits. The resulting discount rates are:

	December 31, 2019	December 31, 2018
ASC 450-20	1.85%	2.65%
For qualified asset account limit	1.80%	2.60%

Health care cost trend rate assumptions

Health care cost trend is the assumed rate of increase in per capita health care charges. It is disclosed in AEP's financial statements for ASC 715-60 as of December 31, 2019.

Year	Medical	Dental
2020	6.00%	3.00%
2021	5.75%	3.00%
2022	5.50%	3.00%
2023	5.25%	3.00%
2024	5.00%	3.00%
2025	4.75%	3.00%
2026 and after	4.50%	3.00%

AEP uses consistent trend assumptions for postretirement health care and postemployment benefit plan valuations.

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Section 3: Participant data

	December 31, 2019	December 31, 2018
Census Date	12/31/2019	12/31/2018
Number		
■ Health care & life insurance continuation benefits for LTD claimants	339	336
■ Income replacement (LTD) plan	332	324
■ COBRA	56	33
Average Age for LTD Medical Continuation Population	59.0	58.5

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Appendix A: Statement of actuarial assumptions and methods

Discount rate

0% for COBRA continuation, for all other benefits

- 1 85% for ASC 712-10 valuation
- 1 80% for tax-deductible funding limit valuation

Health care cost trend rate

(applies to plan costs and participant contributions)

Year	Medical	Dental
2020	6 00%	3 00%
2021	5 75%	3 00%
2022	5 50%	3 00%
2023	5 25%	3 00%
2024	5 00%	3 00%
2025	4 75%	3 00%
2026 and after	4.50%	3 00%

Health Care Benefit Assumptions

Non-UMWA Plans

Average annual 2020 per capita medical claims cost for disabled employees and their dependents

Age	Employee or Spouse		
	HSA Basic	HSA Plus	HRA
≤ 50	\$ 5,583	\$ 6,147	\$ 6,701
50-54	6,855	7,548	8,228
55-59	8,231	9,063	9,879
60-64	10,185	11,215	12,225

Employee age	Children		
	HSA Basic	HSA Plus	HRA
<58	\$ 5,158	\$ 5,766	\$ 6,342
≥58	0	0	0

For employees only, the costs shown above are increased by the following morbidity factors, based on duration of disability

Years Disabled	Employee Medical Cost Multiplier
≤ 3	8 0
3 – 6	5 0
>6	2 0

80% of employees disabled more than 30 months are assumed to be approved for Medicare. Including the Retiree Drug Subsidy under Medicare Part D, the onset of Medicare benefits is assumed to reduce the cost of benefits by 73% for those approved for Medicare

Average annual 2020 per capita dental claims cost for disabled employees and their dependents

Employee only	\$347
Employee plus spouse	692
Employee plus child(ren)	1,003*
Full family	1,347*

*Children's portion of cost goes to zero at employee's age 58

Administrative expenses

Included in per capita costs shown above

COBRA morbidity

COBRA participants are assumed to incur average per capita claims costs equal to 154% of costs that active participants incur

Demographic Assumptions

Healthy Mortality

Base mortality rates are derived from the Pri-2012 mortality table with no collar adjustments

Mortality improvements are projected forward on a generational basis using an adjusted version of Scale MP-2019. The adjustment reflects 75% of the long-term improvement rates

Long-term disability termination

2012 GLTD table reflecting 6-month elimination period, with margin removed, with the following duration-based adjustments to recovery rates to reflect findings from the 2016 GLTD Experience Study

- +15% for the first four years of disability
- -10% for later durations

COBRA continuation termination rates for beneficiaries not receiving severance benefits

Months	Probability of Terminating COBRA Coverage at End of Month	
	18-Month Maximum	29- or 36-Month Maximum
1	17	05
2	12	05
3	07	04
4-6	05	03
7-12	04	03
13	03	03
14-24	03	02
25-35	N/A	01
36	N/A	1 00
Average Duration	10 19 months	22 61 months

Social Security benefit entitlement for those not yet approved

Within 36 months of disability, 55% of disabled employees not yet approved for Social Security benefits will be approved for primary Social Security benefits and 20% will be approved for family Social Security benefits

Actuarial Methods

Applicable accounting standards	All benefits have been valued under FASB ASC 450-20-25-2
Postemployment benefit liability	<p>FASB ASC 450-20-25-2 liabilities are equal to the actuarial present value of future benefit payments to current benefit recipients, with no allowance for incurred but unreported claims or claims administration expenses</p> <p>Calculation of LTD Plan liabilities for disabled participants under IRC Section 419A funding limit valuation includes the following</p> <ul style="list-style-type: none"> a) Benefits in payment status – The liability for disabled employees currently receiving benefits is the present value of future benefits expected to be paid b) Benefits pending or in the waiting period – An estimate is made of the present value of benefits for disabled employees not yet receiving benefit payments c) For purposes of determining the qualified asset account limit in accordance with Section 419A of the Internal Revenue Code, benefits to be paid to claimants whose disabilities have not lasted more than five months have been excluded from the liabilities described under a) and b) above d) Claims administrative expenses equal to 12 26% of expected benefit payments
Development of health care benefit claims cost	Cost per participant is based on age-related retired participant costs for AEP non-UMWA plans, adjusted to reflect higher anticipated health care utilization for disabled individuals and reduced for Medicare offsets
Benefits not valued	Claims incurred but not reported (IBNR) have not been included in the FASB ASC 712-10 liabilities for any benefits

Data Sources

American Electric Power (AEP), through its third-party administrator, furnished participant data as of January 1, 2020. Health plan vendors furnished the claims cost data. Data were reviewed for reasonableness and consistency, but no audit was performed. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Assumptions Rationale — Significant Economic Assumptions – Funding Limit and Accounting

Discount rate (accounting)	As required by U.S. GAAP, the discount rate was chosen by the plan sponsor based on matching projected plan cash flows (for all benefits except COBRA continuation) to U.S. Treasury Constant Maturity yield rates on the measurement date, with resulting discount rate rounded to the nearest 0.05%.
Discount rate (funding limits)	The discount rate was chosen by the plan sponsor based on matching projected LTD income benefit cash flows to the U.S. Treasury Constant Maturity yield rates on the measurement date, with resulting discount rate rounded to nearest 0.10%.
Claims cost trend rates	Assumed increases were chosen by the plan sponsor and, as required by U.S. GAAP, they represent an estimate of future experience, informed by an analysis of recent plan experience, leading to select and ultimate assumed trend rates and reflecting the expected near-term effect of recently enacted plan changes. In setting near-term trend rates, other pertinent statistics were considered, including surveys on general medical cost increases. In setting the ultimate trend rate, considerations included assumed GDP growth consistent with the assumed future

	<p>economic conditions inherent in other economic assumptions chosen by the client at the measurement date</p> <p>After examining historical variability in trend rates, we believe that the selected assumptions do not significantly conflict with what would be reasonable based on a combination of market conditions at the measurement date and future expectations consistent with other economic assumptions used, other than the discount rate</p>
Participant contribution trend rates	<p>In accordance with the substantive plan communicated to participants, participant contributions are intended to remain a fixed percentage of total plan costs, and thus the trend rates, and the description of the derivation of the trend rates, are the same as for claims costs as shown above</p>
Medicare Part D subsidy trend rates	<p>The assumed rates of increase in Medicare Part D subsidy are assumed to equal the plan's assumed trend rates</p>
Per capita claims costs	<p>Express Scripts and Anthem supplied data on retiree medical claims incurred in 2018 and paid through March 2019. Claim experience rates are calculated for the plans by normalizing claims experience for benefit differences and combining. These normalized incurred claims were then reduced by prescription drug rebates, divided by covered lives and trended forward two years to 2020. Adjustments for plan provision and network changes were also made. Finally, administrative expense rates were added to claims costs.</p> <p>Medical and prescription drug claims cost models are developed by age-grading these claim rates over standard Willis Towers Watson morbidity curves for both medical and prescription drugs to develop the quinquennial age-banded claims cost assumptions.</p> <p>Aetna supplied data on dental claims incurred in 2018 and paid through March 2019. Active employee experience was analyzed to derive the dental claim rates used in this valuation.</p>
Medicare Part D subsidy value	<p>We calibrated our modeling tool to reflect the 2020 cost of the current prescription drug plans for AEP's disabled employees. The tool employs a continuance table of annual retiree drug utilization levels, developed from analyzing 2016 claim experience of 1.8 million Medicare-eligible participants across several large companies.</p> <p>After the plan-specific benefit provisions have been calibrated to current costs, the Modeler trends costs forward to 2020 at 7% per year. Actuarial equivalence was determined using the following approach:</p> <p>Gross Value Test — The Modeler calculates the value of standard Medicare Part D coverage and compares it to AEP's plan costs. AEP's plans passed this test by being richer than the projected value of standard Medicare part D coverage for these groups.</p> <p>Net Value Test — The net value prong of the test compares the value of Standard Part D coverage in 2020 minus the greater of \$392.88 per year (the national average Part D premium) and 25.5% of the gross value of Part D to the projected 2020 value of AEP coverage minus the average projected 2020 retiree contribution rate. For this purpose, employee contributions were assumed to apply first to the value of medical benefits and then to prescription drug benefits.</p> <p>When the plans are deemed to be actuarially equivalent, the tool calculates the average expected value of the employer subsidy in 2020, using the continuance table calibrated to AEP's plan costs.</p>

Assumptions Rationale — Significant Demographic Assumptions

Healthy Mortality	Assumptions were selected by the plan sponsor and, as required by U.S. GAAP, represent a best estimate of future experience.
Disabled Mortality	Assumptions were selected by the plan sponsor and, as required by U.S. GAAP, represent a best estimate of future experience.
Rates of disability termination (recovery or death)	<p>Termination rates reflecting both recovery and death were based on a published table for disabled participants believed to have similar characteristics to the plan population—the 2012 Group Long-Term Disability (GLTD) table, reflecting experience from the 2016 GLTD Experience Study.</p> <p>Assumed termination rates differ by age, gender and duration because of differences in termination rates by gender and duration observed in studies of disability termination rates conducted by the Society of Actuaries.</p>

Source of Prescribed Methods

Accounting methods	The methods used for accounting purposes as described in Appendix A are "prescribed methods set by another party," as defined in the actuarial standards of practice (ASOPs). As required by U.S. GAAP, these methods were selected by the plan sponsor.
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Changes in Assumptions and Methods

Change in assumptions since prior valuation	<p>Per capita claims costs were updated to reflect 2018 dental and retiree medical claims experience.</p> <p>Discount rate was changed from 2.65% to 1.85% for financial reporting purposes and from 2.60% to 1.80% for determining tax funding limits.</p> <p>Healthy mortality was changed to Pri-2012 mortality table.</p> <p>Medical trend rates were changed to continue the current schedule, but further phasing down to an ultimate rate of 4.50% in 2026.</p>
Change in methods since prior valuation	None.

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Appendix B: Summary of substantive plan provisions reflected in valuation

Non-UMWA Plans

Long-Term Disability

Eligibility	Total disability following elimination period of 26 weeks
Benefits	<p>Following 26 weeks of total disability, benefits are payable. Benefit payments continue until the first to occur of the following:</p> <ul style="list-style-type: none"> (i) The participant ceases to be totally disabled, or (ii) He reaches age 65 or if he becomes disabled after age 60, benefits can extend beyond age 65. <p>Monthly benefits equal 60% (or 70% with employee buy-up) of base monthly salary reduced by:</p> <ul style="list-style-type: none"> (a) Initial Social Security benefit (primary portion only for pre-2001 West disabilities) (b) Workers Compensation benefit (c) Jones Act (d) General Maritime Law (e) Settlements (f) Other plans

Health Care Continuation to LTD Claimants

Eligibility	Participants are eligible for health care continuation upon approval for LTD benefits. Dependents of disabled employees are also eligible. Benefits continue until LTD benefits cease due to death, recovery or retirement.
Benefits	Eligible participants receive continued coverage under AEP's active employee medical and dental plans. Disabled participants who are eligible for Medicare have medical benefits provided secondary to Medicare.

Contributions (Annual) Effective January 1, 2020	HSA Basic	HSA Plus	HRA	Dental
Employee only	\$426	\$1,108	\$1,753	\$145
Employee plus spouse	1,211	2,837	4,376	288
Employee plus child(ren)	932	2,222	3,443	414
Full family	1,717	3,951	6,066	559

Life Insurance Continuation to LTD Claimants

Eligibility	Participants are eligible for life insurance continuation upon approval for LTD benefits.
Benefits	Eligible participants receive continued coverage under the active employee life insurance plans. Basic and supplemental amounts in force prior to approval for LTD benefits are continued. Dependent life insurance is also continued but has not been valued.

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American Electric Power Postemployment Benefit Plan

Contributions

Same rates payable by active employees for supplemental coverage

COBRA

When employees terminate, they are offered medical coverage for 18 months at COBRA rates (102% of average active/pre-65 retiree medical costs) Because anti-selection occurs, the average cost for participants who elect COBRA coverage is typically more than the COBRA rates they pay to enroll for coverage. Surviving spouses may continue coverage at COBRA rates for up to 36 months.

Changes in Benefits Valued Since Prior Year

None

American Electric Power Postemployment Benefit Plan

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Appendix C: Results by business unit

American Electric Power
Health Care and Life Insurance for Employees on Long-Term Disability
Liabilities as of December 31, 2019

ML 1

Code Location	Number Disabled	2020 Projected Medical Benefits		2020 Projected Basic Life Insurance		2020 Projected Supplemental Life Insurance		2020 Projected Dental Benefits		2020 Projected All Benefits	
		2020 Projected Benefits	2020 Projected Payments	2020 Projected Benefits	2020 Projected Payments	2020 Projected Benefits	2020 Projected Payments	2020 Projected Benefits	2020 Projected Payments	2020 Projected Benefits	2020 Projected Payments
140 Appalachian Power Co. - Distribution	46	\$4,056,400	\$1,526,351	\$1,082,786	\$368,227	\$1,002,202	\$365,727	\$54,126	\$12,999	\$6,175,514	\$2,273,303
215 Appalachian Power Co. - Generation	26	1,994,470	582,620	304,343	146,992	304,338	66,486	30,892	9,172	2,510,148	826,240
150 Appalachian Power Co. - Transmission	3	211,027	36,436	74,873	5,618	23,870	4,105	4,828	889	264,933	47,147
Appalachian Power Co. - FERD	75	\$6,261,897	\$2,145,406	\$1,692,007	\$523,897	\$1,330,410	\$436,317	\$89,846	\$23,160	\$9,050,295	\$3,146,691
220 Cedar Coal Co.	0	0	0	0	0	0	0	0	0	0	0
Appalachian Power Co. - SERD	75	\$6,261,897	\$2,145,406	\$1,692,007	\$523,897	\$1,330,410	\$436,317	\$89,846	\$23,160	\$9,050,295	\$3,146,691
211 AEP Texas Central Company - Distribution	22	\$1,868,012	\$665,057	\$499,034	\$184,535	\$791,569	\$245,213	\$27,783	\$6,903	\$3,186,366	\$1,071,706
147 AEP Texas Central Company - Generation	0	0	0	0	0	0	0	0	0	0	0
160 AEP Texas Central Company - Transmission	0	0	0	0	0	0	0	0	0	0	0
AEP Texas Central Co.	22	\$1,868,012	\$665,057	\$499,034	\$184,535	\$791,569	\$245,213	\$27,783	\$6,903	\$3,186,366	\$1,071,706
170 Indiana Michigan Power Co. - Distribution	6	\$323,081	\$126,342	\$112,238	\$34,718	\$70,449	\$16,932	\$4,507	\$1,001	\$510,255	\$178,894
132 Indiana Michigan Power Co. - Generation	3	175,806	45,411	53,732	10,426	14,102	2,629	3,678	815	247,136	59,482
190 Indiana Michigan Power Co. - Nuclear	2	307,505	46,663	96,043	13,863	81,713	12,577	6,887	739	492,248	73,901
120 Indiana Michigan Power Co. - Transmission	2	136,465	44,166	27,671	8,087	0	0	3,036	813	170,172	53,065
280 Ind Mich River Transp Laken	12	1,550,120	318,665	244,288	54,958	364,071	92,918	20,255	3,140	1,718,882	470,019
Indiana Michigan Power Co. - FERD	26	\$2,036,787	\$681,678	\$633,990	\$172,061	\$630,336	\$126,558	\$38,411	\$4,059	\$3,138,499	\$956,411
202 Price River Coal	0	0	0	0	0	0	0	0	0	0	0
Indiana Michigan Power Co. - SERD	26	\$2,036,787	\$681,678	\$633,990	\$172,061	\$630,336	\$126,558	\$38,411	\$4,059	\$3,138,499	\$956,411
110 Kentucky Power Co. - Distribution	12	\$1,257,410	\$529,582	\$273,067	\$103,141	\$442,302	\$179,999	\$18,731	\$4,859	\$1,991,800	\$617,482
117 Kentucky Power Co. - Generation	6	621,961	145,160	133,314	36,122	203,121	56,146	11,169	2,195	969,595	238,922
180 Kentucky Power Co. - Transmission	0	0	0	0	0	0	0	0	0	0	0
600 Kentucky Power Co. - Hammer Activities	3	169,064	26,382	71,289	11,790	63,090	7,461	4,812	815	338,475	48,646
701 Kentucky Power Co. - Mitchell Activities	2	196,656	26,174	57,896	9,330	43,545	5,893	5,841	1,201	305,327	42,598
702 Kentucky Power Co. - Mitchell Inactives	0	0	0	0	0	0	0	0	0	0	0
Kentucky Power Co.	23	\$2,277,290	\$729,095	\$536,616	\$169,302	\$782,106	\$249,499	\$40,663	\$8,070	\$3,065,667	\$1,147,350
200 Ohio Power Co. - Distribution	33	\$3,106,382	\$1,159,775	\$672,178	\$220,261	\$687,205	\$179,670	\$58,378	\$11,537	\$4,504,213	\$1,571,244
160 Ohio Power Co. - Transmission	2	128,533	13,609	48,321	5,720	28,281	3,675	2,888	406	206,033	23,413
Ohio Power Co.	35	\$3,234,915	\$1,173,384	\$720,499	\$226,081	\$715,486	\$183,345	\$61,266	\$11,943	\$4,710,246	\$1,594,657
167 Public Service Co. of Oklahoma - Distribution	10	\$855,189	\$204,319	\$201,667	\$42,023	\$160,592	\$35,531	\$36,413	\$3,702	\$1,243,661	\$285,575
198 Public Service Co. of Oklahoma - Generation	6	636,428	308,919	146,087	51,943	224,263	94,433	7,875	1,650	1,076,753	457,115
114 Public Service Co. of Oklahoma - Transmission	1	227,765	50,897	32,680	6,010	106,108	20,630	6,046	679	372,892	78,217
Public Service Co. of Oklahoma	17	\$1,719,382	\$564,135	\$380,434	\$99,976	\$486,963	\$150,694	\$44,499	\$5,931	\$2,096,416	\$529,697
199 Southwestern Electric Power Co. - Distribution	12	\$1,619,992	\$511,584	\$354,894	\$115,812	\$406,026	\$132,592	\$21,987	\$4,253	\$2,402,899	\$684,241
198 Southwestern Electric Power Co. - Generation	11	1,178,131	414,458	247,977	89,249	252,028	74,648	17,572	3,992	1,865,708	561,947
191 Southwestern Electric Power Co. - Texas - Distribution	10	1,112,412	416,369	233,177	62,358	386,919	128,355	18,059	3,997	1,754,063	531,059
111 Southwestern Electric Power Co. - Texas - Transmission	0	0	0	0	0	0	0	0	0	0	0
194 Southwestern Electric Power Co. - Transmission	0	0	0	0	0	0	0	0	0	0	0
Southwestern Electric Power Co.	33	\$3,910,535	\$1,442,412	\$939,046	\$267,399	\$1,047,653	\$356,626	\$58,184	\$11,842	\$5,062,670	\$2,067,247
110 AEP Texas North Company - Distribution	4	\$372,606	\$135,594	\$94,924	\$26,061	\$62,768	\$23,887	\$5,614	\$1,401	\$535,912	\$186,903
108 AEP Texas North Company - Generation	0	0	0	0	0	0	0	0	0	0	0
192 AEP Texas North Company - Transmission	0	0	0	0	0	0	0	0	0	0	0
AEP Texas North Co.	4	\$372,606	\$135,594	\$94,924	\$26,061	\$62,768	\$23,887	\$5,614	\$1,401	\$535,912	\$186,903
230 Kingsport Power Co. - Distribution	1	50	50	\$37,257	\$4,829	\$127,322	\$17,067	50	50	\$164,579	\$21,896
200 Kingsport Power Co. - Transmission	0	0	0	0	0	0	0	0	0	0	0
Kingsport Power Co.	1	50	50	\$37,257	\$4,829	\$127,322	\$17,067	50	50	\$164,579	\$21,896
210 Wheeling Power Co. - Distribution	1	\$203,174	\$97,217	\$33,649	\$15,961	50	50	\$1,275	\$382	\$238,098	\$113,560
200 Wheeling Power Co. - Transmission	0	0	0	0	0	0	0	0	0	0	0
Wheeling Power Co.	1	\$203,174	\$97,217	\$33,649	\$15,961	50	50	\$1,275	\$382	\$238,098	\$113,560
103 American Electric Power Service Corporation	61	\$5,632,725	\$2,068,066	\$1,497,251	\$487,840	\$1,347,048	\$427,823	\$78,470	\$16,736	\$8,555,432	\$3,000,466
293 Elmwood	0	0	0	0	0	0	0	0	0	0	0
292 AEP Power Operations LLC	8	550,495	79,908	201,868	42,179	172,986	46,550	19,561	3,205	984,960	171,843
American Electric Power Service Corp	69	\$6,233,219	\$2,147,974	\$1,699,119	\$530,019	\$1,520,044	\$474,374	\$98,061	\$19,941	\$9,540,452	\$3,172,299
143 AEP Pro Serv Inc	0	0	0	0	0	0	0	0	0	0	0
189 Central Coal Company	0	0	0	0	0	0	0	0	0	0	0
171 CSW Energy, Inc.	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0
270 Cook Coal Terminal	0	0	0	0	0	0	0	0	0	0	0
AEP Generating Company	70	0	0	0	0	0	0	0	0	0	0
104 Cardinal Operating Company	0	0	0	0	0	0	0	0	0	0	0
161 Cho Power Co. - Generation	9	463,738	87,279	115,814	27,314	72,345	19,881	15,114	2,605	667,051	137,090
AEP Generation Resources - FERD	9	\$463,738	\$87,279	\$115,814	\$27,314	\$72,345	\$19,881	\$15,114	\$2,605	\$667,051	\$137,090
290 Corecon Coal Reproduction Company	0	0	0	0	0	0	0	0	0	0	0
AEP Generation Resources - SERD	9	\$463,738	\$87,279	\$115,814	\$27,314	\$72,345	\$19,881	\$15,114	\$2,605	\$667,051	\$137,090
175 AEP Energy Partners	0	0	0	0	0	0	0	0	0	0	0
419 Orate Partners	0	0	0	0	0	0	0	0	0	0	0
AEP Energy Supply	9	\$463,738	\$87,279	\$115,814	\$27,314	\$72,345	\$19,881	\$15,114	\$2,605	\$667,051	\$137,090
245 Dole Hills	25	\$2,857,454	\$1,099,148	\$606,095	\$202,526	\$286,962	\$98,477	\$49,734	\$8,555	\$3,802,245	\$1,408,706
Dole Hills	25	\$2,857,454	\$1,099,148	\$606,095	\$202,526	\$286,962	\$98,477	\$49,734	\$8,555	\$3,802,245	\$1,408,706
Total	330	\$31,499,869	\$10,960,779	\$7,862,898	\$2,389,002	\$7,711,376	\$2,379,906	\$531,387	\$108,407	\$47,385,387	\$15,718,482

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American Electric Power Postemployment Benefit Plan

American Electric Power
Long-Term Disability Income Replacement Benefits
Liabilities as of December 31, 2019

ML-2

Code Location	Number Disabled	12/31/2019 Liability	Total LTD Assets as of 12/31/2019	12/31/2019 Unfunded Liability	2020 Projected Benefit Payments
140 Appalachian Power Co - Distribution	44	\$3,236,621	\$401,151	\$2,835,470	\$836,881
215 Appalachian Power Co - Generation	26	1,506,933	188,771	1,320,162	387,053
150 Appalachian Power Co - Transmission	3	139,057	17,235	121,822	29,429
Appalachian Power Co. - FERC	73	\$4,882,611	\$605,157	\$4,277,454	\$1,253,363
225 Cedar Coal Co	0	\$0	\$0	\$0	\$0
Appalachian Power Co. - SEC	73	\$4,882,611	\$605,157	\$4,277,454	\$1,253,363
211 AEP Texas Central Company - Distribution	22	\$1,690,152	\$209,480	\$1,480,672	\$458,471
147 AEP Texas Central Company - Generation	0	0	0	0	0
169 AEP Texas Central Company - Transmission	0	0	0	0	0
AEP Texas Central Co.	22	\$1,690,152	\$209,480	\$1,480,672	\$458,471
170 Indiana Michigan Power Co - Distribution	6	\$266,391	\$33,017	\$233,374	\$67,913
132 Indiana Michigan Power Co - Generation	3	147,559	18,289	129,270	30,752
190 Indiana Michigan Power Co - Nuclear	2	594,361	73,666	520,695	79,665
120 Indiana Michigan Power Co - Transmission	2	85,605	10,810	74,995	24,955
280 Ind Mch River Transp Lakin	12	1,000,615	124,018	876,597	189,254
Indiana Michigan Power Co. - FERC	25	\$2,094,531	\$259,600	\$1,834,931	\$392,539
202 Price River Coal	0	\$0	\$0	\$0	\$0
Indiana Michigan Power Co. - SEC	25	\$2,094,531	\$259,600	\$1,834,931	\$392,539
110 Kentucky Power Co - Distribution	12	\$866,271	\$107,367	\$758,904	\$238,973
117 Kentucky Power Co - Generation	5	369,158	45,754	323,404	76,754
180 Kentucky Power Co - Transmission	0	0	0	0	0
600 Kentucky Power Co - Kammer Actives	3	141,903	17,588	124,315	21,800
701 Kentucky Power Co - Mitchell Actives	2	327,716	40,618	287,098	49,444
702 Kentucky Power Co - Mitchell Inactives	0	0	0	0	0
Kentucky Power Co	22	\$1,705,048	\$211,327	\$1,493,721	\$386,972
250 Ohio Power Co - Distribution	32	\$2,060,325	\$255,360	\$1,804,965	\$467,295
160 Ohio Power Co - Transmission	2	152,487	18,899	133,588	23,461
Ohio Power Co	34	\$2,212,812	\$274,259	\$1,938,553	\$490,756
167 Public Service Co of Oklahoma - Distribution	10	\$940,295	\$116,541	\$823,754	\$158,100
198 Public Service Co of Oklahoma - Generation	6	430,296	53,331	376,965	109,656
114 Public Service Co of Oklahoma - Transmission	1	241,591	29,943	211,648	32,136
Public Service Co. of Oklahoma	17	\$1,612,182	\$199,815	\$1,412,367	\$299,892
159 Southwestern Electric Power Co - Distribution	12	\$1,110,296	\$137,612	\$972,684	\$221,960
168 Southwestern Electric Power Co - Generation	11	760,839	94,299	666,540	176,252
161 Southwestern Electric Power Co - Texas - Distribution	10	729,154	90,372	638,782	199,198
111 Southwestern Electric Power Co - Texas - Transmission	0	0	0	0	0
194 Southwestern Electric Power Co - Transmission	0	0	0	0	0
Southwestern Electric Power Co.	33	\$2,600,289	\$322,283	\$2,278,006	\$597,409
119 AEP Texas North Company - Distribution	4	\$227,583	\$28,207	\$199,376	\$60,561
166 AEP Texas North Company - Generation	0	0	0	0	0
192 AEP Texas North Company - Transmission	0	0	0	0	0
AEP Texas North Co.	4	\$227,583	\$28,207	\$199,376	\$60,561
230 Kingsport Power Co - Distribution	1	\$107,843	\$13,366	\$94,477	\$14,279
260 Kingsport Power Co - Transmission	0	0	0	0	0
Kingsport Power Co.	1	\$107,843	\$13,366	\$94,477	\$14,279
210 Wheeling Power Co - Distribution	1	\$33,961	\$4,209	\$29,752	\$10,566
200 Wheeling Power Co - Transmission	0	0	0	0	0
Wheeling Power Co.	1	\$33,961	\$4,209	\$29,752	\$10,566
103 American Electric Power Service Corporation	61	\$5,067,865	\$630,597	\$4,437,268	\$1,258,408
293 Elmwood	0	0	0	0	0
292 AEP River Operations LLC	8	1,001,736	124,157	877,579	201,780
American Electric Power Service Corp	69	\$6,069,601	\$754,754	\$5,314,847	\$1,460,188
143 AEP Pro Serv, Inc	0	\$0	\$0	\$0	\$0
189 Central Coal Company	0	0	0	0	0
171 CSW Energy, Inc	0	0	0	0	0
Miscellaneous	0	\$0	\$0	\$0	\$0
270 Cook Coal Terminal	0	\$0	\$0	\$0	\$0
AEP Generating Company	0	\$0	\$0	\$0	\$0
104 Cardinal Operating Company	0	\$0	\$0	\$0	\$0
181 Ohio Power Co - Generation	9	416,997	51,683	365,314	104,738
AEP Generation Resources - FERC	9	\$416,997	\$51,683	\$365,314	\$104,738
290 Conesville Coal Preparation Company	0	\$0	\$0	\$0	\$0
AEP Generation Resources - SEC	0	\$0	\$0	\$0	\$0
175 AEP Energy Partners	0	\$0	\$0	\$0	\$0
419 Onsite Partners	0	0	0	0	0
AEP Energy Supply	0	\$0	\$0	\$0	\$0
245 Dolet Hills	22	\$1,451,159	\$179,859	\$1,271,300	\$334,099
Dolet Hills	22	\$1,451,159	\$179,859	\$1,271,300	\$334,099
Total	332	\$25,124,769	\$3,113,999	\$22,010,770	\$5,863,832

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American Electric Power Postemployment Benefit Plan

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American Electric Power
Liabilities for COBRA Continuation of Medical and Dental Coverage
Former Non-UMWA and UMWA Employees

ML-3

Code Location	Number of Participants	12/31/2010 Liability	2020 Projected Benefit Payments
140 Appalachian Power Co - Distribution	2	\$7,552	\$7,552
215 Appalachian Power Co - Generation	0	0	0
150 Appalachian Power Co - Transmission	0	0	0
Appalachian Power Co. - FERC	2	\$7,552	\$7,552
225 Cedar Coal Co	0	0	0
Appalachian Power Co. - SEC	2	\$7,552	\$7,552
211 AEP Texas Central Company - Distribution	2	\$10,517	\$10,517
147 AEP Texas Central Company - Generation	0	0	0
169 AEP Texas Central Company - Transmission	0	0	0
AEP Texas Central Co.	2	\$10,517	\$10,517
170 Indiana Michigan Power Co - Distribution	0	\$0	\$0
132 Indiana Michigan Power Co - Generation	0	0	0
190 Indiana Michigan Power Co - Nuclear	9	43,441	39,235
120 Indiana Michigan Power Co - Transmission	0	0	0
280 Ind Mich River Transp Laken	0	0	0
Indiana Michigan Power Co. - FERC	9	\$43,441	\$39,235
202 Price River Coal	0	0	0
Indiana Michigan Power Co. - SEC	9	\$43,441	\$39,235
110 Kentucky Power Co - Distribution	0	\$0	\$0
117 Kentucky Power Co - Generation	0	0	0
180 Kentucky Power Co - Transmission	0	0	0
600 Kentucky Power Co - Kammer Actives	0	0	0
701 Kentucky Power Co - Mitchell Actives	0	0	0
702 Kentucky Power Co - Mitchell Inactives	0	0	0
Kentucky Power Co.	0	\$0	\$0
250 Ohio Power Co - Distribution	0	\$0	\$0
160 Ohio Power Co - Transmission	0	0	0
Ohio Power Co.	0	\$0	\$0
167 Public Service Co of Oklahoma - Distribution	4	\$26,092	\$23,220
198 Public Service Co of Oklahoma - Generation	0	0	0
114 Public Service Co of Oklahoma - Transmission	0	0	0
Public Service Co. of Oklahoma	4	\$26,092	\$23,220
159 Southwestern Electric Power Co - Distribution	1	\$7,050	\$3,881
168 Southwestern Electric Power Co - Generation	0	0	0
161 Southwestern Electric Power Co - Texas - Distribution	0	0	0
111 Southwestern Electric Power Co - Texas - Transmission	0	0	0
194 Southwestern Electric Power Co - Transmission	0	0	0
Southwestern Electric Power Co.	1	\$7,050	\$3,881
119 AEP Texas North Company - Distribution	0	\$0	\$0
166 AEP Texas North Company - Generation	0	0	0
192 AEP Texas North Company - Transmission	0	0	0
AEP Texas North Co.	0	\$0	\$0
230 Kingsport Power Co - Distribution	0	\$0	\$0
260 Kingsport Power Co - Transmission	0	0	0
Kingsport Power Co.	0	\$0	\$0
210 Wheeling Power Co - Distribution	0	\$0	\$0
200 Wheeling Power Co - Transmission	0	0	0
Wheeling Power Co.	0	\$0	\$0
103 American Electric Power Service Corporation	30	\$139,994	\$111,751
293 Elmwood	0	0	0
292 AEP River Operations LLC	0	0	0
American Electric Power Service Corp.	30	\$139,994	\$111,751
143 AEP Pro Serv, Inc	0	\$0	\$0
189 Central Coal Company	0	0	0
171 CSW Energy, Inc	0	0	0
Miscellaneous	0	\$0	\$0
270 Cook Coal Terminal	0	0	0
AEP Generating Company	0	\$0	\$0
104 Cardinal Operating Company	0	\$0	\$0
181 Ohio Power Co - Generation	2	10,256	7,956
AEP Generation Resources - FERC	2	\$10,256	\$7,956
290 Conesville Coal Preparation Company	0	0	0
AEP Generation Resources - SEC	2	\$10,256	\$7,956
175 AEP Energy Partners	0	0	0
419 Onsite Partners	0	0	0
AEP Energy Supply	2	\$10,256	\$7,956
245 Dolet Hills	6	\$42,901	\$37,600
Dolet Hills	6	\$42,901	\$37,600
Total	56	\$287,803	\$241,712

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Willis Towers Watson

American Electric Power
Benefits Summary by Location
Unfunded Liabilities as of December 31, 2019

ML-4

Code	Location	Health Care and Life Insurance	LTD	COBRA	Total Benefits
140	Appalachian Power Co - Distribution	\$6,175,514	\$2,835,470	\$7,552	\$9,018,536
215	Appalachian Power Co - Generation	2,810,143	1,320,182	0	4,130,305
150	Appalachian Power Co - Transmission	264,603	121,822	0	386,425
	Appalachian Power Co. - FERC	\$9,250,260	\$4,277,454	\$7,552	\$13,535,266
225	Cedar Coal Co	0	0	0	0
	Appalachian Power Co. - SEC	\$9,250,260	\$4,277,454	\$7,552	\$13,535,266
211	AEP Texas Central Company - Distribution	\$3,186,398	\$1,480,672	\$10,517	\$4,677,587
147	AEP Texas Central Company - Generation	0	0	0	0
169	AEP Texas Central Company - Transmission	0	0	0	0
	AEP Texas Central Co.	\$3,186,398	\$1,480,672	\$10,517	\$4,677,587
170	Indiana Michigan Power Co - Distribution	\$510,255	\$233,374	\$0	\$743,629
132	Indiana Michigan Power Co - Generation	247,136	129,270	0	376,406
190	Indiana Michigan Power Co - Nuclear	462,248	520,695	43,441	1,066,384
120	Indiana Michigan Power Co - Transmission	170,172	74,995	0	245,167
280	Ind Mich River Transp Laken	1,718,682	876,597	0	2,595,279
	Indiana Michigan Power Co. - FERC	\$3,138,493	\$1,634,931	\$43,441	\$5,016,865
202	Price River Coal	0	0	0	0
	Indiana Michigan Power Co. - SEC	\$3,138,493	\$1,634,931	\$43,441	\$5,016,865
110	Kentucky Power Co - Distribution	\$1,991,600	\$758,904	\$0	\$2,750,504
117	Kentucky Power Co - Generation	969,565	323,404	0	1,292,969
180	Kentucky Power Co - Transmission	0	0	0	0
600	Kentucky Power Co - Kammer Actives	338,475	124,315	0	462,790
701	Kentucky Power Co - Mitchell Actives	305,927	287,098	0	593,025
702	Kentucky Power Co - Mitchell Inactives	0	0	0	0
	Kentucky Power Co.	\$3,605,567	\$1,493,721	\$0	\$5,099,288
250	Ohio Power Co - Distribution	\$4,504,213	\$1,804,965	\$0	\$6,309,178
160	Ohio Power Co - Transmission	206,033	133,589	0	339,621
	Ohio Power Co.	\$4,710,246	\$1,938,553	\$0	\$6,648,799
167	Public Service Co of Oklahoma - Distribution	\$1,243,861	\$823,754	\$26,092	\$2,093,707
198	Public Service Co of Oklahoma - Generation	1,076,753	376,965	0	1,453,718
114	Public Service Co of Oklahoma - Transmission	372,802	211,648	0	584,450
	Public Service Co. of Oklahoma	\$2,693,416	\$1,412,367	\$26,092	\$4,131,875
159	Southwestern Electric Power Co - Distribution	\$2,402,899	\$972,684	\$7,050	\$3,382,633
168	Southwestern Electric Power Co - Generation	1,695,708	666,540	0	2,362,248
161	Southwestern Electric Power Co - Texas - Distribution	1,754,063	638,782	0	2,392,845
111	Southwestern Electric Power Co - Texas - Transmission	0	0	0	0
194	Southwestern Electric Power Co - Transmission	0	0	0	0
	Southwestern Electric Power Co.	\$5,852,670	\$2,278,006	\$7,050	\$8,137,726
119	AEP Texas North Company - Distribution	\$535,912	\$199,376	\$0	\$735,288
168	AEP Texas North Company - Generation	0	0	0	0
192	AEP Texas North Company - Transmission	0	0	0	0
	AEP Texas North Co.	\$535,912	\$199,376	\$0	\$735,288
230	Kingsport Power Co - Distribution	\$164,579	\$94,477	\$0	\$259,056
260	Kingsport Power Co - Transmission	0	0	0	0
	Kingsport Power Co.	\$164,579	\$94,477	\$0	\$259,056
210	Wheeling Power Co - Distribution	\$238,098	\$29,752	\$0	\$267,850
200	Wheeling Power Co - Transmission	0	0	0	0
	Wheeling Power Co	\$238,098	\$29,752	\$0	\$267,850
103	American Electric Power Service Corporation	\$8,565,492	\$4,457,268	\$139,994	\$13,152,754
293	Elmwood	0	0	0	0
292	AEP River Operations LLC	984,960	877,579	0	1,862,539
	American Electric Power Service Corp	\$9,540,452	\$5,334,847	\$139,994	\$15,015,293
143	AEP Pro Serv, Inc	\$0	\$0	\$0	\$0
189	Central Coal Company	0	0	0	0
171	CSW Energy, Inc	0	0	0	0
	Miscellaneous	\$0	\$0	\$0	\$0
270	Cook Coal Terminal	\$0	\$0	\$0	\$0
	AEP Generating Company	\$0	\$0	\$0	\$0
104	Cardinal Operating Company	\$0	\$0	\$0	\$0
181	Ohio Power Co - Generation	\$67,051	\$365,314	\$10,256	\$1,042,621
	AEP Generation Resources - FERC	\$67,051	\$365,314	\$10,256	\$1,042,621
290	Conesville Coal Preparation Company	0	0	0	0
	AEP Generation Resources - SEC	\$67,051	\$365,314	\$10,256	\$1,042,621
175	AEP Energy Partners	0	0	0	0
419	Onsite Partners	0	0	0	0
	AEP Energy Supply	\$67,051	\$365,314	\$10,256	\$1,042,621
245	Dolet Hills	\$3,802,245	\$1,271,300	\$42,901	\$5,116,446
	Dolet Hills	\$3,802,245	\$1,271,300	\$42,901	\$5,116,446
	Total	\$47,385,387	\$22,010,770	\$287,803	\$69,683,960

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Question No. CARD 4-42:

Retirement plans: Please provide the amounts included in test year operating expenses for each retirement plan and post-retirement benefits.

Response No. CARD 4-42:

The amounts included in test year operating expenses for each retirement plan and post-retirement benefits are:

Pension	\$4,414,135
SERP	\$93,182
Post-retirement Healthcare Plan	(\$5,945,367)

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

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Question No. CARD 4-43:

Retirement plans: Please provide the amounts included in pro forma operating expenses for each retirement plan and post-retirement benefits.

Response No. CARD 4-43:

The amounts included in pro forma operating expenses for each retirement plan and post-retirement benefits are:

Pension	\$6,970,767
SERP	\$0
Post-retirement Healthcare Plan	\$(5,398,507)

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

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PUC DOCKET NO. 51415**

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Question No. CARD 4-44:

Retirement plans: Please provide a copy of the full document(s) provided by the Company's actuary supporting the level of pension costs and post-retirement benefits included in the revenue requirement.

Response No. CARD 4-44:

The full actuarial reports supporting the level of pension costs and post-retirement benefits included in the revenue requirement were provided in Exhibit MAB-3 to the direct testimony of Mr. Michael Baird.

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

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Question No. CARD 4-45:

Retirement plans: Please provide the amount of nonqualified employee retirement plan costs in pro forma expense. Please show both restoration and SERP costs for both SWEPCO and AEPSC included in pro forma operating expense.

Response No. CARD 4-45:

There is \$0 for SWEPCO and AEPSC SERP/Restoration expense billed to SWEPCO included in pro forma expense as the Company recorded a pro forma adjustment to remove all AEPSC SERP/Restoration expense billed to SWEPCO.

Prepared By: Brian J. Frantz

Title: Dir Accounting

Prepared By: Randall W. Hamlett

Title: Dir Regulatory Acctg Svcs

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

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Question No. CARD 4-46:

Employee Benefits: Please provide narrative description of any changes to the Company's employee benefits during the test year and continuing through the latest date after the end of the test year.

Response No. CARD 4-46:

During the test year, effective January 1, 2020, the Company changed the employer provided life insurance to align with industry benchmarks. Employees hired after December 31, 2019, receive employer paid life insurance at one-times base with employees hired prior to that date grandfathered at two-times base.

Prepared By: Susan I. Scheer

Title: Benefits Consultant

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

**SOAH DOCKET NO. 473-21-0538
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Question No. CARD 4-47:

Employee Benefits: Please provide a narrative describing any changes the Company plans to make to any of its employee benefits within the two years after the end of the test year.

Response No. CARD 4-47:

Aside from the Company provided life insurance change effective January 1, 2020 described in the response to CARD 4-46, the Company has no definitive plans to make employee benefit changes within the two years after the end of the test year.

Prepared By: Susan I. Scheer

Title: Benefits Consultant

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

**SOAH DOCKET NO. 473-21-0538
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Question No. CARD 4-48:

Employee Benefits: Please quantify the savings which have been achieved or that are expected to be achieved from changes to Company's employee benefits.

Response No. CARD 4-48:

The 2020 life insurance change described in the response to CARD 4-46 impacts only those hired after December 31, 2019 and is expected to produce approximate annual savings of less than \$200 per hire.

Prepared By: Susan I. Scheer

Title: Benefits Consultant

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

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Question No. CARD 4-49:

Employee Benefits: Please provide copies of the documents supporting the test year level of employee benefits.

Response No. CARD 4-49:

Please refer to CARD_4-49_Attachment_1.xlsx describing the test year level of employee benefits. Employee benefits are recorded in FERC Account 926 which is supported by the Company's trial balance. Please see CARD_4-49_Attachment_2_(Employee Benefits).xlsx for amounts supporting the test year level of employee benefits. See "Summary of 926 Accounts" tab for a summary of FERC 926 accounts by benefit type. See "926 Accounts-Detail" tab for the detailed sub-account balances used in the summary, and see Schedule A-4 of the RFP for the full test year trial balance. Please see CARD_4-49_Attachment_3.xlsx for Total AEPSC Employee Benefits charged to FERC Account 926 on AEPSC during the Test Year, and Amount of AEPSC Employee Benefits billed to SWEPCO during the Test Year. Amount billed to SWEPCO doesn't include any pro-forma adjustments.

CARD 4-49 Attachments 1 through 3 are available electronically on the PUC Interchange.

Prepared By: Susan I. Scheer

Title: Benefits Consultant

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

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Question No. CARD 4-50:

Employee Benefits: Please provide copies of the documents supporting the pro forma level of employee benefits.

Response No. CARD 4-50:

The pro-forma level of employee expense is contained on RFP WP/A (Account 926). Certain items were removed from the test year amounts (See Brian Frantz Exhibit BJJ-6B and WP/A-3.25). In addition, adjustments were made for pensions, SFAS 106 and SFAS 112 based upon 2020 actuarial reports referenced at CARD 4-41. These adjustments are detailed at WP/A-3.10 to WP/A-3.12. A corrected version of WP/A-3.11 was submitted with the response to CARD 4-41. For a document describing employee benefits, please refer to CARD 4-49 Attachment 1.

Prepared By: Susan I. Scheer

Title: Benefits Consultant

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

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Question No. CARD 4-51:

Employee Benefits: Please provide the amount of each employee benefit in each of the three years preceding the test year.

Response No. CARD 4-51:

Please see CARD 4-51_Attachment_1_(Employee Benefits).xlsx for the amount of each SWEPCO employee benefit for the years 2016 to 2019.

Please see CARD_4-51_Attachment_2.xlsx for AEPSC Total Employee benefits recorded in FERC account 926 on AEPSC's books for the year 2016-2019, and Amount of AEPSC Employee Benefits billed to SWEPCO for the years 2016-2019. Please note that the majority of AEPSC employee benefit costs from FERC Account 926 are loaded onto labor as fringe costs.

CARD 4-51 Attachments 1 and 2 are available electronically on the PUC Interchange.

Prepared By: Susan I. Scheer

Title: Benefits Consultant

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Prepared By: Elizabeth A. Baker

Title: Reg Accounting Consult Staff

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

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Question No. CARD 4-52:

Affiliate costs: Please provide the amount of affiliate costs allocated to SWEPCO for each of the years 2015 through 2019 and for the test year. Also, provide the amounts each year allocated to the other operating companies.

Response No. CARD 4-52:

Please refer to CARD_4-52_Attachment_1.xlsx for amount of affiliate costs billed to SWEPCO and the other AEP affiliates for calendar years 2015 through 2019 and for the test year.

CARD 4-52 Attachment 1 is available electronically on the PUC Interchange.

Prepared By: Brian J. Frantz

Title: Dir Accounting

Sponsored By: Brian J. Frantz

Title: Dir Accounting

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Question No. CARD 4-53:

Vegetation Management: Please provide SWEPCO's vegetation management expenditures for each year 2010 through 2019 and the test year by FERC account, for the total company and for the Texas jurisdiction.

Response No. CARD 4-53:

Please see CARD 4-53 Attachment 1 for Total SWEPCO and SWEPCO Texas vegetation management expenditures (O&M) for each year 2010 through 2019 and the test year by FERC Account.

Prepared By: Paul D. Flory

Title: Regulatory Consultant Sr.

Sponsored By: Drew W. Seidel

Title: VP Distribution Region Operations

Total SWEPCO Vegetation Management Expenditures by FERC Account					
	Total SWEPCO Veg Expenses (O&M) FERC Account 5930000	Total SWEPCO Veg Expenses (O&M) FERC Account 5930001	Total SWEPCO Veg Expenses (O&M) FERC Account 5880000	Total SWEPCO Veg Expenses (O&M) FERC Account 5980000	Total SWEPCO Veg Expenses (O&M) Total
Test Year	\$27,071,431	\$0	\$600	\$414	\$27,072,445
2019	\$26,618,324	\$0	\$733	\$414	\$26,619,472
2018	\$31,349,749	\$0	\$0	\$0	\$31,349,749
2017	\$22,001,159	\$0	\$362	\$0	\$22,001,521
2016	\$23,341,201	\$0	\$255	\$0	\$23,341,456
2015	\$30,240,681	\$0	\$0	\$0	\$30,240,681
2014	\$27,444,515	\$0	\$47	\$0	\$27,444,562
2013	\$11,830,414	\$0	\$167	\$0	\$11,830,581
2012	\$15,352,014	-\$3,027,867	\$622	\$0	\$12,324,769
2011	\$26,584,582	-\$2,514,638	\$2,439	\$0	\$24,072,383
2010	\$11,311,337	\$5,672,261	\$0	\$0	\$16,983,598

SWEPCO TX Vegetation Management Expenditures by FERC Account			
	SWEPCO TX Veg Expenses (O&M) FERC Account 5930000	SWEPCO TX Veg Expenses (O&M) FERC Account 5930001	SWEPCO TX Veg Expenses (O&M) Total
Test Year	\$9,568,282	\$0	\$9,568,282
2019	\$9,359,676	\$0	\$9,359,676
2018	\$12,954,922	\$0	\$12,954,922
2017	\$6,025,129	\$0	\$6,025,129
2016	\$6,459,517	\$0	\$6,459,517
2015	\$7,311,673	\$0	\$7,311,673
2014	\$10,246,538	\$0	\$10,246,538
2013	\$2,306,230	\$0	\$2,306,230
2012	\$4,843,273	-\$3,027,867	\$1,815,406
2011	\$10,385,190	-\$2,514,638	\$7,870,552
2010	\$3,066,945	\$5,672,261	\$8,739,206

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Question No. CARD 4-54:

Reliability: Please provide SWEPCO's SAIDI and SAIFI scores for each year 2010 through 2019 for the total company and for Texas.

Response No. CARD 4-54:

Please see Schedule H-13.3 for SWEPCO's Texas and CARD 4-54 Attachment 1 for Total SWEPCO SAIDI and SAIFI scores for each year 2010 through 2019.

Prepared By: Paul D. Flory

Title: Regulatory Consultant Sr.

Sponsored By: Drew W. Seidel

Title: VP Distribution Region Operations

Total SWEPCO SAIDI and SAIFI

YEAR	SAIDI	SAIFI
2010	143.16	1.55
2011	225.32	1.78
2012	231.68	1.91
2013	147.69	1.40
2014	190.48	1.59
2015	214.54	1.67
2016	179.86	1.62
2017	207.20	1.66
2018	258.52	1.79
2019	239.10	1.68

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Question No. CARD 4-55:

Property Damage: Please provide the amounts for property damage for each year 2010 through 2019 and for the test year.

Response No. CARD 4-55:

SWEPCO maintains property insurance to indemnify losses from damage to property, subject to various deductibles. This cost is expensed as insurance premiums (Account 9240). For the period 2010-2020, CARD_4-55_Attachment_1.xlsx shows by claim the total insurance claim, deductible and amount paid by insurance.

CARD 4-55 Attachment 1 is available electronically on the PUC Interchange.

Prepared By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

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Question No. CARD 4-56:

Storm Damage: Please provide the amounts for storm damage for each year 2010 through 2019 and for the test year.

Response No. CARD 4-56:

Transmission - See CARD_4-56_Attachment_1.xlsx.

Distribution - See CARD 4-56 Attachment 2 for the amounts for storm damage for each year 2010 through 2019 and for the test year.

CARD 4-56 Attachment 1 is available electronically on the PUC Interchange.

Prepared By: William M. Romine

Title: Regulatory Consultant Staff

Prepared By: Paul D. Flory

Title: Regulatory Consultant Sr

Sponsored By: Daniel R. Boezio

Title: VP Trans Field Services

Sponsored By: Drew W. Seidel

Title: VP Dist Region Opers

Total SWEPCO Storm Costs for Distribution

Budget Category	Project Category	Project Type	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Test Year
Capital	Major Storms	Total	\$291,838	\$4,508,476	\$2,678,979	\$6,297,158	\$3,595,234	\$5,894,725	\$1,813,021	\$2,524,389	\$1,250,098	\$4,311,535	\$5,097,329
	System Restoration	Total	\$1,052,531	\$1,165,999	\$1,192,879	\$1,557,339	\$1,370,544	\$1,673,428	\$2,498,608	\$3,344,995	\$2,752,182	\$3,059,524	\$2,946,971
Removal	Major Storms	Total	\$41,936	\$496,909	\$116,762	\$1,601,052	\$846,281	\$816,195	\$227,027	\$419,749	\$278,879	\$571,205	\$730,654
	System Restoration	Total	\$163,537	\$173,362	\$175,025	\$237,968	\$201,038	\$189,805	\$481,697	\$466,564	\$354,302	\$475,945	\$470,898
O&M	Major Storms	Total	\$990,852	\$4,053,454	\$4,694,068	\$8,333,839	\$6,103,351	\$5,315,868	\$2,210,365	\$7,688,991	\$2,334,864	\$11,387,999	\$14,033,748
	System Restoration	Total	\$5,287,335	\$7,619,505	\$8,426,899	\$11,374,336	\$9,623,662	\$10,621,157	\$9,726,988	\$10,415,594	\$11,134,132	\$12,942,002	\$12,621,329

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Question No. CARD 4-57:

Directors and Officers Expenses: Please provide the amounts recorded for directors and officers expenses for the test year for SWEPCO and for the Texas jurisdiction.

Response No. CARD 4-57:

No AEP (parent company) director expenses are charged to SWEPCO. No expenses for SWEPCO Board members, who are also AEP and SWEPCO executive officers, were included in the Company's test year cost of service.

Prepared By: Randall W. Hamlett

Title: Dir Regulatory Acctg Svcs

Prepared By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

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Question No. CARD 4-58:

Directors and Officers Expenses: Please provide the amount included in the adjusted revenue requirement for directors and officers expenses for SWEPCO and for the Texas jurisdiction.

Response No. CARD 4-58:

No AEP (parent company) director expenses are charged to SWEPCO. No expenses for SWEPCO Board members, who are also AEP and SWEPCO executive officers, were included in the Company's adjusted revenue requirement.

Prepared By: Randall W. Hamlett

Title: Dir Regulatory Acctg Svcs

Prepared By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

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Question No. CARD 4-59:

Director's Compensation: Please provide the amounts recorded for director fees and other compensation for the test year for SWEPCO and for the Texas jurisdiction.

Response No. CARD 4-59:

No AEP (parent company) director compensation is charged to SWEPCO. AEP directors that are AEP executives are not separately compensated for their AEP Board service. Members of the SWEPCO Board of Directors do not receive directors fees or other director compensation for serving on the SWEPCO Board of Directors. All SWEPCO Board members are AEP executives who are not separately compensated for their SWEPCO Board service.

Prepared By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

Prepared By: Randall W. Hamlett

Title: Dir Regulatory Acctg Svcs

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

SOAH DOCKET NO. 473-21-0538
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Question No. CARD 4-60:

Director's Compensation: Please provide the amount included in the adjusted revenue requirement for director's fees and other compensation for SWEPCO and for the Texas jurisdiction.

Response No. CARD 4-60:

Please see the response to CARD 4-59.

Prepared By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits